

Agricultural Investment Funds For Development

Comparative analysis and lessons-learned

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Overall Objectives of the Publication

- Based on the earlier FAO document “Agricultural investment funds for developing countries” published in 2010
- To assess the development of agricultural investment funds
 - Agricultural investment fund: a financial vehicle to pool the capital of different types of investors to provide capital to different agricultural stakeholders, especially agro-enterprises and agribusinesses
- Focused on funds with private and public investors and their fund managers. Land-focused funds are excluded
 - Total of 63 funds including a re-assessment of 18 investment funds from the FAO 2010 study plus additional 45 funds

A decorative teal header bar containing white icons of a gear, a milk can, a cheese wedge, a glass of milk, a loaf of bread, a tomato, a calculator, and another gear.

Selection Criteria of Agricultural Investment Funds (AIFs)

- Involvement of public and private sector investors
- Focus on investments in agriculture, agribusiness and other areas linked to agriculture (e.g. through investments in MFIs that provide access to finance to smallholders).
- Focus on developing countries
- Focus on a development as well as a commercial return
- Operational track record of at least for two years

- Does NOT cover land investment funds nor commodity funds



Research Methodology

- Investment funds data: Information collection and analysis mainly through publicly available information in the internet, news articles, industry reports etc.
 - Comparison in fund size, instruments, return targets, geographic focus, investment focus, investment size and fund manager
- Case studies: Interviews and desk analysis
 - Seven cases in the publication

AIFs by Type of Fund and Regional Focus

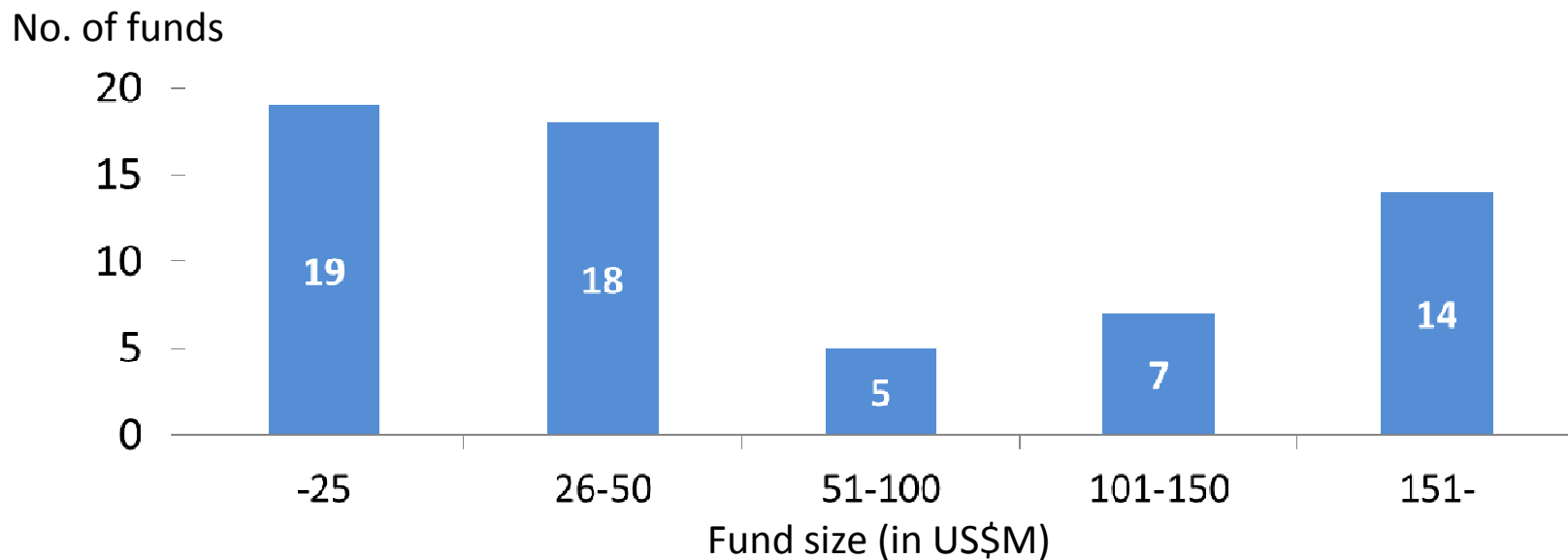
- High level of investor interest on Africa and agribusiness (Large and SMEs)
- Diverse investment strategies around agriculture – producer organizations, MFIs, and forest focus funds

Type	Regional focus			
	Africa	Multi-region	Other areas	Total
Agribusiness fund	9	0	4	13
Agribusiness SME fund	9	1	1	11
Fund for producer organizations	0	6	0	6
MIV for rural and agri-sector	2	8	5	15
Other agriculture and rural funds	4	10	4	18
Total	24	25	14	63
% of Total	38%	40%	22%	

} **38%**

AIFs by Fund Size

- The total capital base of the 63 AIFs: US\$7.1 billion
- Number of smaller funds dominate: first-time fund managers or/and funds with unconventional targets



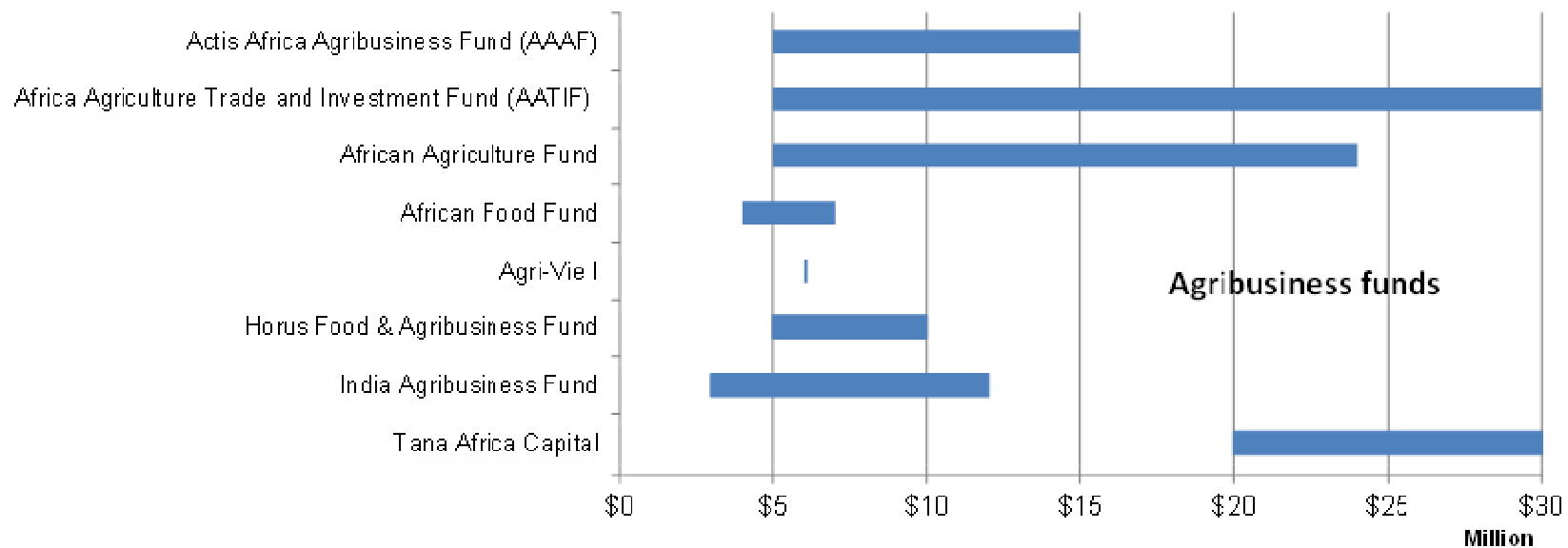
Agribusiness Funds - Capital base, Instruments, TA

- Dominated by larger scale funds pursuing market return
- Equity is a common investment tool

Fund	Capital Base (US\$M)*					Instruments			Grant TAF
	25≤	50≤	100≤	150≤	≥151	E/QE	D	G	
Agribusiness funds									
Actis Africa Agribusiness Fund (AAAF)			\$93			█			
Africa Agriculture Trade and Investment Fund (AATIF)				\$146		█	█		█
African Agriculture Fund					\$216	█			█
African Food Fund		\$32				█			
Agribusiness & Food Fund					\$173	█			
Agri-Vie I				\$110		█			
Aventura Rural Enterprise Fund		\$50				█	█		
Horus Food & Agribusiness Fund		\$46				█			
India Agribusiness Fund				\$120		█			
New Hope Agriculture and Food Fund II					\$180	█			NA
Pampa Agribusiness Fund					\$365	█			
Tana Africa Capital					\$300	█			

Agribusiness Funds - Investment Size

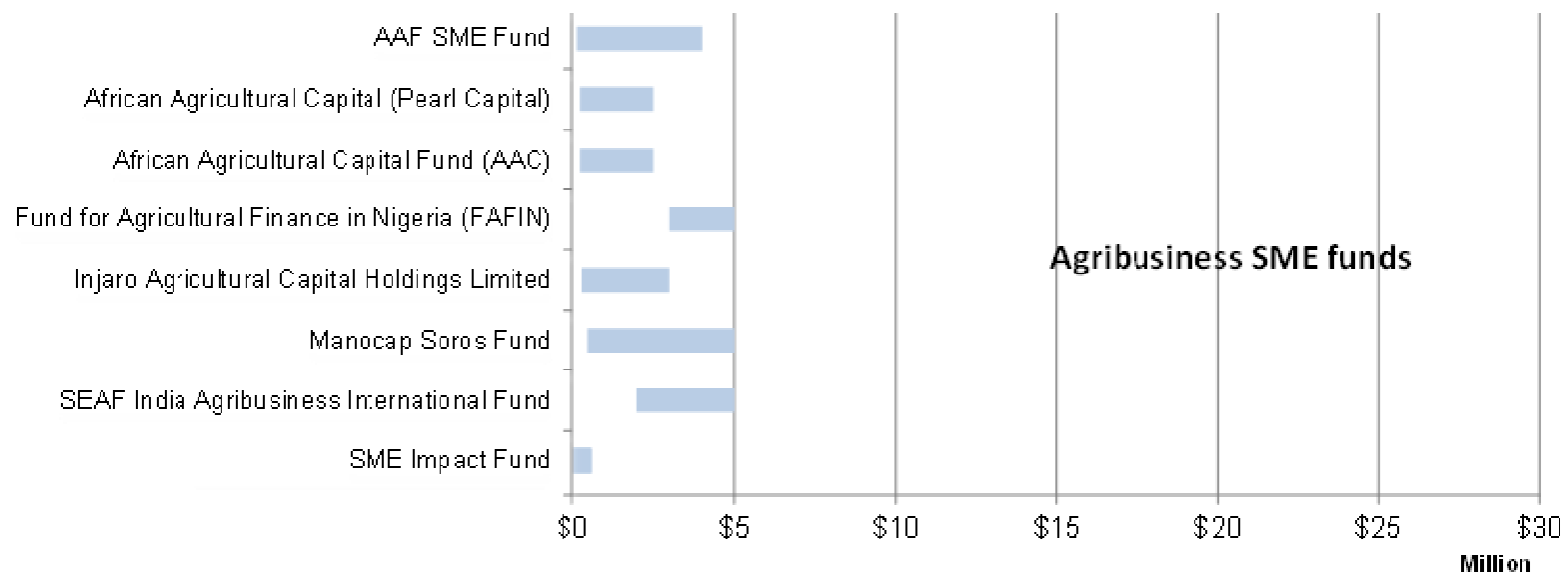
- Larger investment size from US\$5 – 75 million





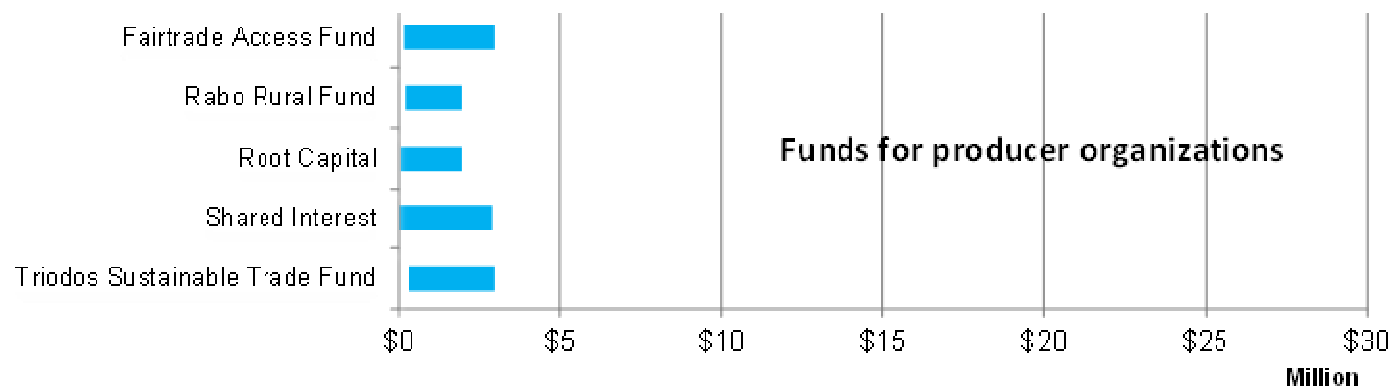
Agribusiness SME Funds - Investment Size

- Investment target: higher end of “missing middle” – up to US\$5M to pursue attractive financial return from established SMEs



Funds for producer organizations - Investment Size

- Investment size: smaller than other categories but can go up to US\$3M – large as debt investments for producer organizations
- Less than 10% of loans in 2014 were below US\$300K. “There is a dearth of financing available for earlier-stage businesses that require smaller loans, especially loans within the \$50K to \$200K range” (CSAF 2015)





Case Study - Fairtrade Access Fund

Fund manager	Incofin investment management (a private fund management company)
Set-up and focus region	Registered in Luxembourg (2012) , open-end fund targeting Latin America and Africa
Fund size	Invested portfolio: US\$28 million as of November 2016
Investors	Fairtrade International, Grameen Foundation, KfW, FMO, Starbucks Coffee and others
Investment instruments	Senior and subordinated debt for working capital, trade finance and term investments
Target	Farmers' cooperatives and associations
Primary goals	To benefit smallholder farmers by investing primarily in well-run producer organizations that are Fairtrade or other similar certification or have applied for certification
Investment strategy	The fund focuses on providing long-term loans to the market, but also offers trade finance and working capital. Demand for trade finance is highest



Grants for Technical Assistance

- The study captured 14 grant facilities for TA with US\$53M funded by various donors (DFIs, bilateral donors etc.). On average, 9.4% of the size of the funds
- Agribusiness SME funds and Funds for producer organizations require TA the most since their investees required additional support
- Managed by investment fund managers with a few exception of independent Technical Assistance Facilities
- TA mostly covers post-investment support for investees going beyond conventional support by fund managers including accounting, HR, IT system, and marketing. Support during pre-investment and for other VC actors is limited
- TA costs are usually shared with investee companies



Grant for Technical Assistance - Summary

Name of fund	Size of fund (in USD million)	Size of TA grant (in USD million)
Africa Agriculture and Trade Investment Fund (AATIF)	146	6.7
African Agricultural Capital Fund (AACF)	25	1.5
African Agriculture Fund - SME Fund	36	11.2
African Agriculture Fund (AAF)	216	
European Solidarity Financing Fund for Africa (FEFISOL)	27	1.6
Fund for Agricultural Finance in Nigeria (FAFIN)	34	2.0
Georgia Regional Development Fund (GRDF)	30	2.0
Grassroots Business Fund (GFB)	49	11.5
Injaro Agricultural Capital Holdings Limited	49	4.0
Microfinance Initiative for Asia Debt Fund (MIFA)	150	3.3
Rural Impulse fund I and II	172	5.1
SME Impact Fund	11	0.3
Take-off facility for Microfinance for Africa	4	1.8
Voxtra East Africa Agribusiness Fund	18	1.6



Fund Management Companies

- Mostly private companies (over 70%) and NPOs professionally managed and specialized in fund management
- Specialized skills/knowledge in agriculture seems to be critical
 - About 60% of the AIFs are managed by agri-focus managers (31 out of 52 managers)
- 26 out of 31 are currently managing their first and only funds.
 - Large number of smaller funds in the universe
 - First-time fund managers are supported by DFIs and seeking investment opportunities



Lessons-learned

- Clear and coordinated roles of governments and international donors in setting up PPP or PPCs (Private-Public Collaboration)
 - PPPs can be a valuable tool to increase access to finance for the agricultural sector
- Investments in “vetted” agricultural methods and crops
 - Agricultural activities and crops that already have an established track record and whose risk-return patterns are known can more easily attract investors
- Smallholder investment is difficult
 - Directly reaching smallholder organizations are especially difficult. Careful structuring of how and where to invest in an agricultural value chain is critical to success.



Lessons-learned

- Agricultural expertise of decision-making bodies
 - AIFs require a thorough understanding of the agriculture sector in developing countries
- The role of impact assessment
 - Measuring impact of investing should be integrated right from the beginning when structuring AIFs. Platforms and measurements are improving but is not yet standardized



Policy Recommendations

- Enabling environment for, not only to attract agricultural investment funds, but also to achieve the full benefits from investment opportunities
 - Policy and regulation affecting agricultural production the local area: price control, subsidies and trade policies
 - Investments in infrastructure, technology and education
 - Policy and regulation affecting ownership to land rights
 - Policies regarding capital repatriation
 - Policies that encourage inclusive growth with emphasis women and smallholder farmer participation
 - Policies concerning compliance of contracts